

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
Somerville, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2019

TABLE OF CONTENTS

	<u>PAGE</u>	<u>EXHIBIT NO.</u>
INTRODUCTORY SECTION:		
Certificate of Board	4	
FINANCIAL SECTION:		
Independent Auditors' Report	6	
Management's Discussion and Analysis	8	
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	14	A-1
Statement of Activities	15	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds	16	C-1
Reconciliation of the Governmental Funds - Balance Sheet to the Statement of Net Position	18	C-1R
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21	C-3
Statement of Fiduciary Net Position - Fiduciary Funds	20	E-1
Statement of Revenues, Expenditures and Changes in Net Position - Private Purpose Trust Funds	22	E-2
Notes to the Financial Statements	23	
Required Supplementary Information:		
Budgetary Comparison Schedule:		
General Fund	49	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability	50	G-2
Schedule of the District Contributions	51	G-3
Schedule of the District's Proportionate Share of OPEB Liability and District's OPEB Contributions	52	G-4
Notes to Required Supplementary Information	53	
Combining Statements and Budget Comparisons as Supplementary Information:		
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds	55	H-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	56	H-2
Combining Balance Sheet - Nonmajor Special Revenue Funds	57	H-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	59	H-4
Combining Balance Sheet - Nonmajor Permanent Funds	61	H-5
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds	62	H-6
Other Supplementary Information:		
Schedule of Delinquent Taxes Receivable	64	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program	66	J-4
Debt Service Fund	67	J-5
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	68	
Schedule of Findings and Questioned Costs	70	
Summary Schedule of Prior Audit Findings	71	
Schedule of Required Responses to Selected School First Indicators	72	L-1

INTRODUCTORY SECTION

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD
August 31, 2019

Somerville Independent School District Burleson 026-902
Name of School District County Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2019, at a meeting of the Board of Trustees of such school district on the 15th day of January, 2020.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list as necessary)

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Somerville Independent School District
Somerville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somerville Independent School District ("the District"), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2019, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the District's proportionate share of the net pension and OPEB liability, and schedules of District contributions, identified as required supplementary information in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of required responses to selected school first indicators are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the schedule of required responses to selected school first indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Lufkin, Texas
January 15, 2020


CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Somerville Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2019. It should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$1,933,448 as of August 31, 2019.
- For the fiscal year ended August 31, 2019, the District's general fund reported a total fund balance of \$1,813,525, of which all was unassigned. The debt service fund reported a fund balance of \$422,717.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the capital projects fund, and the debt service fund) reported combined ending fund balances of \$2,438,249.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of several parts - **management's discussion and analysis** (this section), the **basic financial statements, and required supplementary information**. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the fiduciary resources belong. The fund includes student activity funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *required supplementary information* that further explains and supports the information in the financial statements.

Government-wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current period's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the District's net position and how it has changed. Net position is the difference between the District's assets and liabilities and is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base, staffing patterns, enrollment, and attendance.

The government-wide financial statements of the District include the *governmental activities*. Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in the *governmental activities*. Locally assessed property taxes together with State foundation programs entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity - these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following kinds of funds:

Governmental Funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statement, or on the subsequent page, that explains the relationship (or differences) between them.

Fiduciary Funds - The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$1,933,448 at August 31, 2019. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2019. The District reported an increase of \$769,694 in net position from the prior year. Liabilities decrease due to a significant decrease in accounts payable from the prior year due to construction invoices payable in the prior year. Revenues for the District increased due to an increase in operating grants and contributions due to the increase in on behalf revenues related to the increase in the pension and OPEB liabilities. Expenses increased significantly in instruction, school leadership, co-curricular activities, general administration, and bond issuance costs due to expending less throughout the year and as the result of the increase in the OPEB liability, pension liability, and the related decrease in on behalf expenses.

The District's Net Position (Table 1)

	2019	2018
Current and other assets	\$ 3 153 158	\$ 4 941 934
Capital and non-current assets	<u>15 758 939</u>	<u>15 919 212</u>
TOTAL ASSETS	<u>18 912 097</u>	<u>20 861 145</u>
Deferred charges on refunding	69 507	78 195
Deferred outflows related to pensions	838 337	313 885
Deferred outflows related to OPEB	<u>179 698</u>	<u>31 364</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>1 087 542</u>	<u>423 444</u>
Current liabilities	1 659 947	2 535 211
Long term liabilities	<u>15 547 496</u>	<u>16 733 630</u>
TOTAL LIABILITIES	<u>17 207 443</u>	<u>19 268 840</u>
Deferred inflows related to pensions	143 321	110 692
Deferred inflows related to OPEB	<u>715 427</u>	<u>791 187</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>858 748</u>	<u>901 879</u>
Net Position:		
Net investment in capital assets	3 163 939	2 011 712
Restricted	453 909	541 180
Unrestricted	<u>(1 684 400)</u>	<u>(1 439 022)</u>
TOTAL NET POSITION	\$ <u>1 933 448</u>	\$ <u>1 113 870</u>

The District's Changes in Net Position (Table 2)

	YEAR ENDED	
	2019	2018
Revenues:		
Program Revenues:		
Charges for services	\$ 144 137	\$ 138 949
Operating grants	926 741	51 725
General Revenues:		
Property taxes	4 295 900	3 928 587
Grants and contributions	2 544 968	1 754 595
Investment earnings	45 072	130 732
Other general revenues	<u>48 382</u>	<u>19 684</u>
TOTAL REVENUES	<u>8 005 200</u>	<u>6 024 272</u>
Expenses:		
Instructional and instructional related	3 645 975	1 864 071
Instructional resources and media services	60 241	27 056
Curriculum and staff development	36 827	27 784
Instructional leadership	16 796	37 959
School leadership	339 202	145 194
Guidance, counseling, and evaluation services	148 003	84 058
Health services	36 432	29 432
Student transportation	218 137	153 676
Food services	430 824	361 148
Co-curricular/extracurricular activities	389 374	326 501
General administration	459 759	303 242
Plant maintenance and operations	722 759	695 691
Security and monitoring	31 662	5 918
Data processing services	104 701	118 175
Interest on long-term debt	383 128	409 590
Bond issuance costs and fees	1 099	1 100
Capital outlay	35 826	-
Payments related to shared services arrangements	52 097	50 666
Other intergovernmental charges	<u>122 664</u>	<u>119 493</u>
TOTAL EXPENSES	<u>7 235 506</u>	<u>4 760 754</u>
CHANGE IN NET POSITION	\$ <u>769 694</u>	\$ <u>1 263 518</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2019, the District's governmental funds reported a combined fund balance of \$2,438,249. This compares to a combined fund balance of \$1,999,167 at August 31, 2018. The fund balance in the general fund increased due to an increase in revenues received from local and state program revenue for the fiscal year when compared to last year, as well as an increase in instruction and facilities maintenance and operations expenditures. The debt service fund balance increased as a direct result of an increase in revenue received from local sources, particularly tax revenue resulting from an increase in the current year valuations. The fund balance in the capital projects fund decreased due to the expenditures related to the completion of construction projects. The District's combined governmental funds expenditures increased due to the expenditures related to the completion of construction projects. The District's combined governmental funds revenue increased by \$654,465. This consisted of an increase in local and state revenues due to an increase in state foundation payments and an increase in property tax revenue. The total combined revenue was \$7,553,620 this year compared to \$6,899,155 last year. The District's combined governmental funds expenditures decreased by \$9,968,348. This consisted primarily of the completion of construction projects for the elementary school and baseball fields in the prior year. The total combined expenditures were \$7,164,421 this year compared to \$17,132,769 last year.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting principles, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ending August 31, 2019, The District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There was a material change between the original budget and the final amended budget. The general fund's actual revenues were more than budgeted revenues by \$353,816 due to the District receiving more in state revenues than budgeted. In addition, the District's actual expenditures were less than budgeted expenditures by \$93,642 with the District spending less than budgeted in expenses associated with instruction, plant maintenance and capital outlays.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost of an amount determined by the Board. Donated capital assets are recorded at acquisition value at the date of donation. During the fiscal year ended August 31, 2019, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2019, the District had a total of \$15,758,939 invested in capital assets such as land, buildings, and District equipment. This total includes \$448,749 invested during the fiscal year ended August 31, 2019.

Major additions included:

- Gym roof and gutter replacement \$175,136
- Bus \$96,983
- Playground equipment \$69,397

More detailed information about the District's capital assets can be found in the notes to the financial statements.

Long-term Debt

At year end, the District had \$12,595,000 in general obligation bonds and maintenance tax notes, outstanding versus \$13,141,178 last year. The net decrease is due to principal payments paid this fiscal year totaling \$546,178.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS

The following factors were considered in establishing the District's budget for 2019-2020:

- Student enrollment for 2019-2020 is expected to increase slightly when compared to 2018-2019. District officials anticipate a slight increase in the rate of attendance for the 2020 school year, compared to 2019, therefore, the refined daily attendance, which is a significant component of the formula upon which State Foundation Program entitlements are based, is projected to increase slightly for 2019-2020.
- The District's total tax rate decreased from the previous year to \$1.34 per \$100 valuation with the maintenance and operations tax rate at \$1.04 and the interest and sinking tax rate at \$0.3. The entire decrease in tax rate was in the interest and sinking portion.
- No new programs were added and no significant changes to existing programs occurred during the current year. No significant changes are planned for 2019-2020.
- District officials anticipate that the fund balance for the general fund will not materially change for 2019-2020 compared to 2018-2019.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and creditors with a general overview of the District's finances and to demonstrate the District's commitment to accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Somerville Independent School District Administration Office at (979) 596-2154.

BASIC FINANCIAL STATEMENTS

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2019

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 1 610 577
1120	Investments	316 802
1225	Property taxes receivable, net	527 673
1240	Due from other governments	698 106
	Capital Assets:	
1510	Land	153 935
1520	Buildings and improvements, net	15 149 945
1530	Furniture and equipment, net	455 059
1000	TOTAL ASSETS	18 912 097
	DEFERRED OUTFLOWS	
	Deferred charges on refunding	69 507
	Deferred outflow related to pension	838 337
	Deferred outflow related to OPEB	179 698
1700	TOTAL DEFERRED OUTFLOWS	1 087 542
	TOTAL ASSETS AND DEFERRED OUTFLOWS	19 999 639
	LIABILITIES	
2110	Accounts payable	8 734
2140	Interest payable	18 140
2165	Accrued liabilities	181 943
2501	Due within one year	525 000
2516	Premium on bond issue	926 130
	Noncurrent Liabilities:	
2502	Due in more than one year	12 070 000
2540	Net pension liability	1 342 326
2545	Net other post-employment benefits (OPEB) liability	2 135 170
2000	TOTAL LIABILITIES	17 207 443
	DEFERRED INFLOWS	
	Deferred inflow related to pension	143 321
	Deferred inflow related to OPEB	715 427
2600	TOTAL DEFERRED INFLOWS	858 748
	TOTAL LIABILITIES AND DEFERRED INFLOWS	18 066 191
	NET POSITION	
3200	Net investment in capital assets	3 163 939
	Restricted for:	
3820	Federal and state grants	31 192
3850	Debt service	422 717
3890	Other purposes	170 815
3900	Unrestricted	(1 855 215)
3000	TOTAL NET POSITION	\$ 1 933 448

The accompanying notes are an integral part of this statement.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1 EXPENSES	PROGRAM REVENUES		4 OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS GOVERNMENTAL ACTIVITIES
			3 CHARGES FOR SERVICES			
Governmental Activities:						
11	Instruction	\$ 3 645 975	\$ -	\$ 447 788	\$ (3 198 187)	
12	Instruction resources and media services	60 241		27 233	(33 008)	
13	Curriculum and staff development	36 827	-	30 215	(6 612)	
21	Instructional leadership	16 796	-	-	(16 796)	
23	School leadership	339 202	-	41 037	(298 165)	
31	Guidance, counseling, and evaluation services	148 003	-	13 262	(134 741)	
33	Health services	36 432	-	-	(36 432)	
34	Student transportation	218 137	-	7 493	(210 644)	
35	Food services	430 824	51 913	282 933	(95 978)	
36	Cocurricular/extracurricular activities	389 374	57 814	11 224	(320 336)	
41	General administration	459 759	-	24 611	(435 148)	
51	Plant maintenance and operations	722 759	-	21 849	(700 910)	
52	Security and monitoring services	31 662	-	-	(31 662)	
53	Data processing services	104 701	-	19 096	(85 605)	
72	Interest on long-term debt	383 128	-	-	(383 128)	
73	Bond cost and fee	1 099	-	-	(1 099)	
81	Capital outlay	35 826	-	-	(35 826)	
93	Payments to SSA	52 097	34 410	-	(17 687)	
99	Other intergovernmental charges	122 664	-	-	(122 664)	
TG	TOTAL GOVERNMENTAL ACTIVITIES	<u>7 235 506</u>	<u>144 137</u>	<u>926 741</u>	<u>(6 164 628)</u>	
TP	TOTAL PRIMARY GOVERNMENT	\$ <u>7 235 506</u>	\$ <u>144 137</u>	\$ <u>926 741</u>	<u>(6 164 628)</u>	
General Revenues:						
MT	Property taxes, levied for general purposes				3 352 788	
DT	Property taxes, levied for debt service				943 112	
IE	Investment earnings				45 072	
GC	Grants and contributions not restricted to specific programs				2 544 968	
MI	Miscellaneous				48 382	
TR	TOTAL GENERAL REVENUES				<u>6 934 322</u>	
CN	CHANGE IN NET POSITION				<u>769 694</u>	
NB	Net position - Beginning				1 113 870	
PA	Prior period adjustment				49 884	
NB	NET POSITION - BEGINNING, RESTATED				<u>1 163 754</u>	
NE	NET POSITION - ENDING				\$ <u>1 933 448</u>	

The accompanying notes are an integral part of this statement.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2019

DATA CONTROL CODES		10	50
		GENERAL FUND	DEBT SERVICE FUND
	ASSETS		
1110	Cash and cash equivalents	\$ 1 137 366	\$ 422 717
1120	Investments	151 438	-
1225	Taxes receivable, net	439 738	87 935
1240	Due from other governments	664 595	-
1260	Due from other funds	35 920	-
1000	TOTAL ASSETS	\$ 2 429 057	\$ 510 652
	LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES		
	Liabilities:		
2110	Accounts payable	\$ -	\$ -
2160	Accrued wages payable	175 794	-
2170	Due to other funds	-	-
2000	TOTAL LIABILITIES	175 794	-
	Deferred Inflows:		
	Unavailable revenues - Property taxes	439 738	87 935
2600	TOTAL DEFERRED INFLOWS	439 788	87 935
	Fund Balances:		
	Restricted:		
3450	Federal/state funds grant restrictions	-	-
3480	Retirement of long-term debt	-	422 717
3490	Other restrictions of fund balance	-	-
3600	Unassigned	1 813 525	-
3000	TOTAL FUND BALANCE	1 813 525	422 717
4000	TOTAL LIABILITIES, DEFERRED INFLOW AND FUND BALANCE	\$ 2 429 057	\$ 510 652

The accompanying notes are an integral part of this statement.

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 50 494	\$ 1 610 577
165 364	316 802
-	527 673
33 511	698 106
-	35 920
<u>\$ 249 369</u>	<u>\$ 3 189 078</u>
\$ 8 734	\$ 8 734
2 708	178 502
<u>35 920</u>	<u>35 920</u>
<u>47 362</u>	<u>223 156</u>
-	527 673
-	527 673
31 192	31 192
-	422 717
170 815	170 815
-	1 813 525
<u>202 007</u>	<u>2 438 249</u>
<u>\$ 249 369</u>	<u>\$ 3 189 078</u>

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
August 31, 2019

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	\$	2 438 249
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not reported in the funds.		15 758 939
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		527 673
The liabilities for workers' compensation are included in governmental activities In the SNP.		(3 441)
Payables for bond principal which are not due in the current period are not reported in the funds, including premium amortization.		(13 521 130)
Payable for bond interest which are not due in the current period are not reported in the funds.		(18 140)
Bond refunding deferral which are not due in the current period are not reported in the funds.		69 507
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(1 342 326)
Deferred inflows of resources related to Teacher Retirement System of Texas (TRS) are not reported in the funds.		838 337
Deferred outflows of resources related to TRS are not reported in the funds.		(143 321)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.		(2 135 170)
Deferred inflows of resources related to the OPEB plan are not reported in the funds.		179 698
Deferred outflows of resources related to the OPEB plan are not reported in the funds.		<u>(715 427)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF OF NET POSITION	\$	<u>1 933 448</u>

The accompanying notes are an integral part of this statement.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended August 31, 2019

DATA CONTROL CODES		10 GENERAL FUND	50 DEBT SERVICE FUNDS
	Revenues:		
5700	Local and intermediate sources	\$ 3 376 778	\$ 947 837
5800	State program revenues	2 339 050	5 822
5900	Federal program revenues	200 096	-
5020	TOTAL REVENUES	<u>5 915 924</u>	<u>953 659</u>
	Expenditures:		
	Current:		
0011	Instruction	2 776 459	-
0012	Instructional resources and media services	17 736	-
0013	Curriculum and staff development	6 612	-
0021	Instructional leadership	-	-
0023	School leadership	297 566	-
0031	Guidance, counseling and evaluation services	128 788	-
0033	Health services	33 196	-
0034	Student transportation	244 374	-
0035	Food services	-	-
0036	Cocurricular/extracurricular activities	255 909	-
0041	General administration	420 781	-
0051	Plant maintenance and operations	643 371	-
0052	Security and monitoring services	31 662	-
0053	Data processing services	85 835	-
0071	Principal on long-term debt	71 178	475 000
0072	Interest on long-term debt	6 691	420 688
0073	Bond cost and fee	-	1 099
0081	Capital outlay	245 547	-
0093	Payments to SSA	52 097	-
0099	Other intergovernmental charges	122 664	-
6030	TOTAL EXPENDITURES	<u>5 440 466</u>	<u>896 787</u>
1100	EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	<u>475 458</u>	<u>56 872</u>
	Other Financing Sources and (Uses):		
7915	Transfers in	-	-
8911	Transfers out	(37 007)	-
	TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(37 007)</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	438 451	56 872
0100	Fund balance - Beginning	1 325 191	365 845
1300	Prior period adjustment	49 883	-
0100	Fund balance - restated	<u>1 375 074</u>	<u>365 845</u>
3000	FUND BALANCE - ENDING	<u>\$ 1 813 525</u>	<u>\$ 422 717</u>

The accompanying notes are an integral part of this statement.

98

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 112 096	\$ 4 436 711
59 867	2 404 739
512 074	712 170
<u>684 037</u>	<u>7 553 620</u>
212 400	2 988 859
23 337	41 073
30 215	36 827
16 316	16 316
-	297 566
-	128 788
-	33 196
685	245 059
358 443	358 443
23 504	279 413
567	421 348
-	643 371
-	31 662
19 656	105 491
-	546 178
-	427 379
-	1 099
142 045	387 592
-	52 097
-	122 664
<u>827 168</u>	<u>7 164 421</u>
<u>(143 131)</u>	<u>389 199</u>
37 007	37 007
-	(37 007)
<u>37 007</u>	<u>-</u>
(106 124)	389 199
308 131	1 999 167
-	49 883
<u>308 131</u>	<u>2 049 050</u>
\$ <u>202 007</u>	\$ <u>2 438 249</u>

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended August 31, 2019

EXHIBIT C-3

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 389 199
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different Because:	
Capital outlays are not reported as expenses in the SOA.	448 749
The depreciation of capital assets used in governmental activities is not reported in the funds.	(609 022)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	96 780
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	546 178
(Increase) decrease in accrued interest from beginning of period to end of period as well as amortization of bond premium.	44 251
Governmental funds report district pension and OPEB contributions as expenses in the government wide statements, the cost of pension and OPEB net of employee contributions is reported as pension expense	(146 440)
Rounding	<u>(1)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	<u>\$ 769 694</u>

The accompanying notes are an integral part of this statement.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
August 31, 2019

EXHIBIT E-1

DATA CONTROL CODES		AGENCY FUNDS
	ASSETS	
1110	Cash and cash equivalents	\$ 35 154
1000	TOTAL ASSETS	\$ <u>35 154</u>
	LIABILITIES	
	Current Liabilities:	
2190	Due to students	\$ 35 154
2000	TOTAL LIABILITIES	<u>35 154</u>
	NET POSITION	
3000	TOTAL NET POSITION	<u>-</u>
4000	TOTAL LIABILITIES AND NET POSITION	\$ <u>35 154</u>

The accompanying notes are an integral part of this statement.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Somerville Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

A. The Reporting Entity

The Board of School Trustees (the "Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" and there are not component units included within the reporting entity.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation:

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Debt Service Fund: This fund is used to account for tax revenues and for the payment for principal, interest, and related cost on long-term debt for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the general fund after all of the debt obligations have been met.

In addition, the District reports the following fund types:

Special Revenue Funds: these funds are used to account for revenues and expenditures related to grant awards or entitlements from federal, state, and local agencies. These funds are primarily on reimbursement basis and have a program year that does not always coincide with the District's fiscal year. Nearly all of these funds cannot carry a fund balance and, other than the food service fund, none of these funds are legally required to have an adopted budget.

Capital Projects Fund: This fund is used to account for revenues and expenditures related to projects financed by the proceeds of bond issues or for capital projects otherwise mandated to be accounted for in this fund. This fund is not required to be budgeted on an annual basis, rather expenditures of this fund are controlled by project budget.

Permanent Funds: These funds are governmental funds that are not used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and therefore not available to support District programs, these funds are not included in the government-wide statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

C. Financial Statements Amounts

Cash and Cash Equivalents:

For purposes of the statement of cash flow, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Property Taxes:

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the general and debt service funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Inventories and Prepaid Items:

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operations supplies, as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets:

Purchased or constructed capital assets are reported at cost or estimated historical costs. Donated capital assets are recorded at acquisition value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

<u>ASSET CLASS</u>	<u>ESTIMATED USEFUL LIFE</u>
Building	50
Vehicles	2-15
Equipment	3-15

Deferred Outflows and Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement, *deferred outflows of resources*, represents a consumption of net position that applies to one or more future periods and so will *not* be recognized as an outflow of resources (expenses/expenditures) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to one or more future periods and so will *not* be recognized as an inflow of resources (revenue) until that time.

Receivable and Payable Balances:

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

Interfund Activity:

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and Transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

Data Control Codes:

Data control codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balances - Governmental Funds:

Fund balances of the governmental funds are classified as follows:

- Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).
- Restricted Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the board or by an official or body to which the Board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.
- Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts have been restricted, committed, or assigned.

Net Position Flow Assumption:

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption:

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Program Revenues:

Amounts reported as *program revenues* include 1) charges to customers or applications who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Pensions:

The fiduciary net position of TRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits:

The fiduciary net position of TRS-Care has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities, and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

NOTE 2 - DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

1. Cash Deposits:

At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,645,731 and the bank balance was \$1,849,357. The District's cash deposits at August 31, 2019, and during the year ended August 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: 1) safety of principal and liquidity, 2) portfolio diversification, 3) allowable investments, 4) acceptable risk levels, 5) expected rate of return, 6) maximum allowable stated maturity of portfolio investments, 7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, 8) investment staff quality and capabilities, and 9) bid solicitation preferences for certificates of deposit.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the area of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions: 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas; 2) certificates of deposit; 3) certain municipal securities; 4) securities lending program; 5) repurchase agreements; and 10) commercial paper.

The District's investments at August 31 are shown below:

NAME	WEIGHTED AVERAGE	FAIR VALUE
TexPool Investment Pool	22 days	\$ 136 246
T. Rowe Price Mutual Funds	N/A	105 614
Certificates of Deposits	2 days	74 942
TOTAL INVESTMENTS		\$ 316 802

Fair Value Measurements:

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value establishing a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Fair value is measured in a manner consistent with one of the three approaches: market approach, cost approach, and the income approach. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows, to a single current (discounted) amount.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

As of August 31, 2019, the District had the following recurring investments subject to fair value measurements:

	AUGUST 31, 2019	FAIR VALUE MEASUREMENTS USING QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)
Investments by Fair Value Level:		
Mutual Funds:		
GNMA	\$ 3 025	\$ 3 025
Spectrum income	102 589	102 589
TOTAL	\$ 105 614	\$ 105 614

Analysis of Specific Deposit and Investment Risks:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than 'AAA' or 'AAA-m' or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

TexPool

The District invests in the Texas Local Government Investment Pool ("TexPool"), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board (the "Board") to advise with respect to TexPool. The Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool and are qualified to advise in respect to TexPool. The Board members review the investment policy and management fee structure. TexPool is rated 'AAAm' by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2019 was as follows:

	BEGINNING BALANCES	INCREASES	DECREASES	ENDING BALANCES
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 153 935	\$ -	\$ -	\$ 153 935
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>153 935</u>	<u>-</u>	<u>-</u>	<u>153 935</u>
Capital Assets Being Depreciated:				
Buildings and improvements	24 190 366	243 212	-	24 433 578
Vehicles and equipment	1 784 726	205 537	-	1 990 263
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>25 975 092</u>	<u>448 749</u>	<u>-</u>	<u>26 423 841</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(8 777 252)	(506 381)	-	(9 283 633)
Vehicles and equipment	(1 432 563)	(102 641)	-	(1 535 204)
TOTAL ACCUMULATED DEPRECIATION	<u>(10 209 815)</u>	<u>(609 022)</u>	<u>-</u>	<u>(10 818 837)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>15 765 277</u>	<u>(160 273)</u>	<u>-</u>	<u>15 605 004</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 15 919 212</u>	<u>\$ (160 273)</u>	<u>\$ -</u>	<u>\$ 15 758 939</u>

Depreciation was charged to functions as follows:

Instruction	\$ 323 656
Instructional resources and media services	13 664
Curriculum and staff development	480
Instructional leadership	6 712
School leadership	480
Guidance, counseling and evaluation services	3 236
Student transportation	60 443
Food services	53 283
Cocurricular/extracurricular activities	94 104
General administration	4 443
Plant maintenance and operations	48 521
	<u>\$ 609 022</u>

NOTE 4 - INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2019 consisted of the following:

DUE TO	DUE FROM	AMOUNT	REASON
General Fund	Other Government Funds	\$ 35 920	Short-term loan
	TOTAL	<u>\$ 35 920</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2019 consisted of the following:

TRANSFERS FROM	TRANSFERS TO	AMOUNT	REASON
General Fund	Other Government Funds	\$ 37 007	Supplement other funds sources
	TOTAL	<u>\$ 37 007</u>	

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 5 - LONG - TERM OBLIGATIONS

Long-Term Obligation Activity:

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2019 are as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
Governmental Activities:					
Bonds, notes, and other payables:					
Tax refunding bonds, 2010	\$ 1 475 000	\$ -	\$ (140 000)	\$ 1 335 000	\$ 145 000
School building bonds, 2016	8 405 000	-	(240 000)	8 165 000	250 000
School building bonds, 2017	3 080 000	-	(95 000)	2 985 000	95 000
Maintenance tax note, 2007	145 000	-	(35 000)	110 000	35 000
Maintenance loan	36 178	-	(36 178)	-	-
TOTAL BONDS, NOTES, AND LOANS	<u>13 141 178</u>	<u>-</u>	<u>(546 178)</u>	<u>12 595 000</u>	<u>525 000</u>
Other Liabilities:					
Bond premium	<u>977 313</u>	<u>-</u>	<u>(51 183)</u>	<u>926 130</u>	<u>-</u>
TOTAL GOVERNMENT ACTIVITIES	<u>\$ 14 118 491</u>	<u>\$ -</u>	<u>\$ (597 361)</u>	<u>\$ 13 521 130</u>	<u>\$ 525 000</u>

Bonded indebtedness of the District reflects in the general long-term debt and current requirements of principal and interest expenditures are accounted for in the debt service fund. These bonds were issued as school tax refunding bonds and school building bonds and the interest rates on the bonds ranged from 2.00% to 4.00% for Tax Refunding Bonds, Series 2010; 3.00% to 4.00% for School Building Bonds, Series 2016; and 3.00% to 3.75% for School Building Bonds, Series 2017. Interest expense was \$420,687 for the year ended August 31, 2019.

Notes payable of the District reflected in the general long-term debt and current requirements for principal and interest expenditure are accounted for on the general fund. The District approved the maintenance tax note at an interest rate of 4.41% for the acquisition and maintenance of facilities and equipment. Interest expense was \$5,623 for the year ended August 31, 2019.

Loans payable of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the general fund. The District approved the maintenance loans at interest rates of 3.00% for the acquisition and maintenance of facilities, vehicles, and equipment. Interest expense was \$1,100 for the year ended August 31, 2019.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 5 - LONG - TERM OBLIGATIONS - CONTINUED

Debt Service Requirements:

Debt service requirements on long-term debt at August 31, 2019 are as follows:

YEAR ENDING AUGUST 31,	BONDS PAYABLE		
	PRINCIPAL	INTEREST	TOTAL
2020	\$ 490 000	\$ 403 762	\$ 893 762
2021	510 000	385 462	895 462
2022	530 000	365 662	895 662
2023	555 000	344 987	899 987
2024	575 000	323 462	898 462
2025-2029	2 790 000	1 297 735	4 087 735
2030-2034	2 625 000	893 348	3 518 348
2035-2039	3 050 000	461 150	3 511 150
2040-2041	1 360 000	43 857	1 403 857
TOTALS	\$ 12 485 000	\$ 4 519 425	\$ 17 004 425

YEAR ENDING AUGUST 31,	NOTES PAYABLE		
	PRINCIPAL	INTEREST	TOTAL
2020	\$ 35 000	\$ 4 080	\$ 39 080
2021	35 000	2 536	37 536
2022	40 000	882	40 882
TOTALS	\$ 110 000	\$ 7 498	\$ 117 498

Operating Leases:

The District has various operating lease agreements for copiers and postage meters. Rent expenditures recognized by the District were \$15,583. The future minimum lease payments for these leases are as follows:

YEAR ENDING AUGUST 31,	COPY MACHINES	POSTAGE METER
2020	\$ 13 819	\$ 1 764
2021	13 819	1 764
2022	13 819	1 764
2023	13 819	1 764
TOTAL MINIMUM RENTALS	\$ 55 276	\$ 7 056

NOTE 6 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reduction in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 7 - PENSION PLAN

A. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by TRS. It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

B. Pension Plan Fiduciary Net Position

Detailed information about TRS' fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.state.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592.

C. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

D. Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 7 - PENSION PLAN - CONTINUED

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

	CONTRIBUTION RATES	
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer Contributions	\$	77 541
Member Contributions	\$	239 980
NECE On-behalf Contributions	\$	161 228

Contributors to the plan include members, employers, and the State of Texas as the only NECE. The State is the employer for senior colleges, medical schools, and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the NECE for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid for the employers. Employers (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational, and general or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors, and Disability Insurance (OASDI) Program for certain employees, the must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 7 - PENSION PLAN - CONTINUED

E. Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term Expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

F. Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

ASSET CLASS	TARGET ALLOCATION*	LONG-TERM EXPECTED ARITHMETIC REAL RATE OF RETURN	EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS**
Global Equity			
U.S.	18%	5.70%	1.04%
Non-U.S. Developed	13%	6.90%	0.90%
Emerging Markets	9%	8.95%	0.80%
Directional Hedge Funds	4%	3.53%	0.14%
Private Equity	13%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	- %	- %	- %
Stable Value Hedge Funds	4%	3.09%	0.12%
Cash	1%	(0.30)%	- %
Real Return			
Global Inflation Linked Bonds	3%	0.70%	0.02%
Real Assets	14%	5.21%	0.73%
Energy and Natural Resources	5%	7.48%	0.37%
Commodities	- %	- %	- %
Risk Parity			
Risk Parity	5%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag**			(0.79)%
Total	100%		7.25%

* Target allocations are based on the FY2016 policy model.

** The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 7 - PENSION PLAN - CONTINUED

For the fiscal year ended August 31, 2018, the annual money-weighted rate of return on pension plan investments was 7.25 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the net pension liability.

	1% Decrease in Discount (5.907%)	Current Single Discount (6.907%)	1% Increase in Discount (7.907%)
District's proportionate share of the Net OPEB Liability	\$ 2 025 891	\$ 1 342 326	\$ 788 939

H. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At August 31, 2019, the District reported a liability of \$1,342,326 for its proportionate share of the TRS's Net Pension Liability. This liability reflects a reduction for State pension support provide to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1 342 326
State's proportionate share that is associated with the District	<u>2 635 961</u>
TOTAL	<u>\$ 3 978 287</u>

The Net Pension Liability was measured as of August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2019, the District's proportion of the collective net pension liability was 0.00244% which was an increase of 0.00018% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions of other inputs that affected measurement of the total pension liability since the prior measurement period.

The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 7 - PENSION PLAN - CONTINUED

Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.

The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.

The long term assumed rate of return changed from 8.0 percent to 7.25 percent.

The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

For the year ended August 31, 2019, the District recognized pension expense of \$260,890 and revenue of \$260,890 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 8 367	\$ 32 935
Changes in actuarial assumptions	483 973	15 124
Difference between projected and actual investment earnings	69 760	95 229
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	198 696	33
Contributions paid to TRS subsequent to the measurement date	77 541	-
TOTAL	\$ 838 337	\$ 143 321

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>YEAR ENDED AUGUST 31,</u>		<u>OPEB EXPENSE AMOUNT</u>
2020	\$	157 742
2021	\$	104 141
2022	\$	90 142
2023	\$	109 147
2024	\$	97 229
Thereafter	\$	59 074

NOTE 8 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLANS

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detailed information about TRS-Care's fiduciary net position is available in the separately issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 8 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

Benefits Provided

TRS-Care provides a basic health insurance coverage, TRS-Care 1 (the "Basic Plan"), at no cost to all retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits, TRS-Care 2 and TRS-Care 3 (the "Optional Health Insurance"). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board is granted the authority to establish basic and optional group insurance coverage for participants, as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic postemployment benefit changes, including automatic cost-of-living adjustments (COLAs).

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees			
January 1, 2018 - December 31, 2018			
	<u>Medicare</u>		<u>Non-Medicare</u>
Retiree*	\$ 135	\$	200
Retiree and Spouse	529		689
Retiree* and Children	468		408
Retiree and Family	1 020		999

* or surviving spouse

Contributions

Contribution rates for TRS-Care are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. TRS-Care is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the State, active employees, and school districts based upon public school district payrolls. The TRS Board does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 8 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

CONTRIBUTION RATES		
	2018	2019
Active employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%
Employer Contributions - 2019		\$ 30 383
Member Contributions - 2019		\$ 18 644
NECE On-behalf Contributions - 2018		\$ 35 620

In addition to the employer contributions listed above, there is an additional surcharge, which all TRS employers are subject (regardless of whether they participate in TRS-Care.) When employers hire a TRS retiree, they are required to pay a monthly surcharge of \$535 per retiree to TRS-Care.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the fiscal years 2018-19 biennium to continue to support the program. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuations was determined using the following actuarial assumptions:

Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69% as of August 31, 2018
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2017.
Mortality Assumption	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection, the ultimate improvement rates from the most recently published projection scale ("U-MP").
Healthcare Trend Rates	Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.
Election Rates	Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 years. Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Aging Factors	Based on plan specific experience.
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 8 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Other Information: There was a significant plan change adopted in fiscal year ending August 31, 2018. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018.

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis - The following schedule shows the impact on the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of net OPEB liability	\$ 2 541 586	\$ 2 135 170	\$ 1 813 669

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase Healthcare Cost Trend Rate
District's proportionate share of net OPEB liability	\$ 1 773 293	\$ 2 135 170	\$ 2 611 769

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 8 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

At August 31, 2019, the District reported a liability of \$2,135,170 for its proportionate share of TRS' net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 2 135 170
State's proportionate share that is associated with the District	2 581 803
TOTAL	<u>\$ 4 716 973</u>

The net OPEB liability was measured as of August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to their OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018, the employer's proportion of the collective Net OPEB Liability was 0.004276% which was a decrease of (0.0008)% from August 31, 2017.

Changes Since the Prior Actuarial Valuation - The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

1. Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
2. The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
3. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
4. The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability.
5. Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section G. for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

For the year ended August 31, 2019, the District recognized OPEB expense of \$93,910 and revenue of \$93,910 for support provided by the State.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 8 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

At August 31, 2019, the District reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 113 306	\$ 33 696
Changes in actuarial assumptions	35 630	641 496
Differences between projected and actual investment earnings	373	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	6	40 235
Contributions paid to TRS subsequent to the measurement date	30 383	-
	\$ 179 698	\$ 715 427

The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

YEAR ENDED AUGUST 31,		OPEB AMOUNT
2020	\$	(89 039)
2021		(89 039)
2022		(89 039)
2023		(89 112)
2024		(89 152)
Thereafter		(120 731)

The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care received payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the "completed" report submissions by reporting entities for the month of May. For the fiscal years ended August 31, 2019, 2018 and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$12,187, \$10,713 and \$10,196 respectively.

NOTE 9 - EMPLOYEE HEALTH CARE COVERAGE

During the year ended August 31, 2019, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third-party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third-party administrator is renewable September 1, 2019, and terms of coverage and premium costs are included in the contractual provisions.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 10 - COMMITMENTS AND CONTINGENCIES

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Cost charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at August 31, 2019.

NOTE 11 - SHARED SERVICES ARRANGEMENTS

The District participates in a shared services arrangement (SSA) for resource education with other participating independent school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Rockdale Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for all financial activities of the SSA.

The District participates in an SSA for migrant services under the Title 1, Part C grants with other participating independent school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center, Region VI, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for all financial activities of the SSA.

The District participates in an SSA for career and technology education services with other participating independent school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center, Region VI, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for all financial activities of the SSA.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 11 - SHARED SERVICES ARRANGEMENTS - CONTINUED

The District participates in an SSA for the improvement of the education of limited English proficient children funded under ESEA Title III, Part A, English Language Acquisition and Language Enhancement. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center, Region VI, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for all financial activities of the SSA.

NOTE 12 - WORKERS' COMPENSATION

Claims Administrative Service

During the year ended August 31, 2019, employees of the District were covered by a Workers' Compensation Plan (the "Plan"). The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third-party administrator, Claims Administrative Services (CAS), acting on behalf of the self-funded pool, is renewable September 1, 2019, and terms, as well as cost of coverage, are included in the contractual provisions.

In accordance with state statutes, the District was protected against unanticipated catastrophic individual or aggregate loss by reinsurance coverage carried through Midwest Employers Casualty, a commercial insurer licensed or eligible to do business in the state of Texas in accordance with Texas Insurance Code. Reinsurance coverage was in effect for individual claims exceeding \$750,000 and for aggregate claims with a statutory limit of \$3,000,000. According to CAS, the unfunded claim benefit obligation of \$3,030 included \$125 in estimated claims incurred, but not reported.

The claim liability is based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate of claims in which have been incurred, but not reported based on historical experience. Changes in the claims liability for workers' compensation benefits for the current and prior fiscal year are summarized below:

	FISCAL YEAR	
	2019	2018
Claims liability at beginning of year	\$ 3 441	\$ 4 463
Current year claims and estimated changes	(142)	(692)
Claims payments	(269)	(330)
CLAIMS LIABILITY AT YEAR END	\$ 3 030	\$ 3 441

TASB Risk Management Fund

During the year ended August 31, 2019, the District met its statutory worker's compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 12 - WORKERS' COMPENSATION - CONTINUED

The District participates in the Fund's reimbursement aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims and liability.

The Fund and its members are protected against higher than expected costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2018, the fund carries a discounted reserve of \$49,076,113 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2019, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

NOTE 13 - UNEMPLOYMENT COMPENSATION

During the year ended August 31, 2019, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2019, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

NOTE 14 - PRIOR PERIOD ADJUSTMENT

During prior period, the District had not recognized a State Foundation receivable for the days worked in August. Therefore, the District has recorded a prior period adjustment and increased the general fund, fund balance and government-wide net position by \$49,883.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board, but not considered a part of the basic financial statements.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2019

EXHIBIT G-1

DATA CONTROL CODES		BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		1	2	3	
		ORIGINAL	FINAL	ACTUAL	
Revenues:					
5700	Local and intermediate sources	\$ 3 340 296	\$ 3 366 168	\$ 3 376 778	\$ 10 610
5800	State program revenues	1 856 090	2 076 090	2 339 050	262 960
5900	Federal program revenue	60 000	119 850	200 096	80 246
5020	TOTAL REVENUES	<u>5 256 386</u>	<u>5 562 108</u>	<u>5 915 924</u>	<u>353 816</u>
Expenditures:					
Current:					
0011	Instruction	2 802 953	2 802 953	2 776 459	26 494
0012	Instructional resources and media services	19 049	19 049	17 736	1 313
0013	Curriculum and staff development	9 300	6 800	6 612	188
0023	School leadership	283 047	298 047	297 566	481
0031	Guidance, counseling and evaluation services	124 843	129 343	128 788	555
0033	Health services	33 400	35 600	33 196	2 404
0034	Student (pupil) transportation	242 799	251 799	244 374	7 425
0036	Cocurricular/extracurricular activities	260 990	265 490	255 909	9 581
0041	General administration	405 474	422 024	420 781	1 243
0051	Plant maintenance and operations	666 186	661 686	643 371	18 315
0052	Security and monitoring services	62 000	32 000	31 662	338
0053	Data processing services	60 175	88 047	85 835	2 212
0071	Principle on long-term debt	71 178	71 178	71 178	-
0072	Interest on long-term debt	6 724	6 724	6 691	33
0081	Capital outlay		268 604	245 547	23 057
0093	Shared services arrangements	59 000	52 100	52 097	3
0099	Other intergovernmental charges	121 268	122 664	122 664	-
6030	TOTAL EXPENDITURES	<u>5 228 386</u>	<u>5 534 108</u>	<u>5 440 466</u>	<u>93 642</u>
1100	EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	<u>28 000</u>	<u>28 000</u>	<u>475 458</u>	<u>447 458</u>
Other Financing Sources and (Uses):					
8911	Transfers out	<u>(28 000)</u>	<u>(28 000)</u>	<u>(37 007)</u>	<u>(9 007)</u>
	TOTAL OTHER FINANCING SOURCES	<u>(28 000)</u>	<u>(28 000)</u>	<u>(37 007)</u>	<u>(9 007)</u>
1200	NET CHANGE IN FUND BALANCES	-	-	438 451	438 451
0100	Fund balance - Beginning	1 325 191	1 325 191	1 325 191	-
1300	Prior period adjustment	-	-	49 883	-
010	Fund balance - Restated	-	-	1 375 074	-
3000	FUND BALANCE - ENDING	<u>\$ 1 325 191</u>	<u>\$ 1 325 191</u>	<u>\$ 1 813 525</u>	<u>\$ 438 451</u>

See independent auditors' report.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

EXHIBIT G-2

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.00244%	0.022634%	0.020614%	0.019645%	0.013849%
District's proportionate share of the net pension liability (asset)	\$ 1 342 326	\$ 723 713	\$ 778 986	\$ 694 425	\$ 369 926
State's proportionate share of the net pension liability (asset) associated with the District	<u>2 635 961</u>	<u>1 901 259</u>	<u>2 279 680</u>	<u>2 199 153</u>	<u>1 820 146</u>
TOTAL	<u>\$ 3 978 287</u>	<u>\$ 2 624 972</u>	<u>\$ 3 058 666</u>	<u>\$ 2 893 578</u>	<u>\$ 2 190 072</u>
District's covered-employee payroll	\$ 3 156 047	\$ 3 423 938	\$ 3 283 037	\$ 3 103 562	\$ 3 025 331
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	42.53%	21.14%	23.73%	22.38%	12.23%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

Information provided by the Teacher Retirement System of Texas.

* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See independent auditors' report.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

EXHIBIT G-3

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 77 541	\$ 81 860	\$ 74 181	\$ 65 497	\$ 58 171	\$ 35 110
Contributions in relation to the contractually required contribution	<u>(77 541)</u>	<u>(81 860)</u>	<u>(74 181)</u>	<u>(65 497)</u>	<u>(58 171)</u>	<u>(35 110)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>-</u>					
District's covered-employee payroll	\$ 3 116 631	\$ 3 156 047	\$ 3 423 938	\$ 3 283 037	\$ 3 103 562	\$ 3 025 331
Contributions as a percentage of covered payroll	2.49%	2.59%	2.17%	2.00%	1.87%	1.16%

Information provided by the Teacher Retirement System of Texas.

* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See independent auditors' report.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
DISTRICT'S PROPORTIONATE SHARE OF LIABILITY AND DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

EXHIBIT G-4

District's Proportionate Share of Liability	2018	2017
District's proportion of the OPEBL	0.004276%	0.0043495%
District's proportionate share of the OPEBL	\$ 2 135 170	\$ 1 891 426
State share of the OPEBL associated with the District	2 581 803	2 622 787
TOTAL	\$ 4 716 973	\$ 4 514 213
District's covered-employee payroll*	\$ 3 156 047	\$ 3 423 938
<i>*Prior FY TRS Gross - September through August</i>		
Proportionate share/covered payroll	67.65%	55.24%
Plan fiduciary net position/total OPEB liability	1.57%	0.91%
Notes to Required Supplementary Information:		
Changes in Assumptions:		
See note disclosure for current year changes.		
Changes in Benefits:		
See note disclosure for current year changes.		
District Contributions	2019	2018
Statutorily or contractually required contribution	\$ 30 383	\$ 31 069
Contributions to required contribution	(30 383)	(31 069)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -
District's covered payroll	\$ 3 116 631	\$ 3 156 047
Contributions to covered payroll	0.97%	0.98%

Information provided by the Teacher Retirement System of Texas.

* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See independent auditors' report.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended August 31, 2019

Budget

The official budget was prepared for adoption for the General fund in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Defined Benefit Pension and OPEB Plan

Changes of Benefit Terms

See Note disclosure for current year changes.

Changes of Assumptions

See Note disclosure for current year changes.

COMBINING STATEMENTS AND BUDGET COMPARISONS
AS SUPPLEMENTARY INFORMATION

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 August 31, 2019

EXHIBIT H-1

DATA CONTROL CODES		SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-1)
	ASSETS				
1110	Cash and cash equivalents	\$ 42 634	\$ -	\$ 7 860	\$ 50 494
1120	Current investments	-	-	165 364	165 364
1240	Due from other governments	33 511	-	-	33 511
1000	TOTAL ASSETS	<u>\$ 76 145</u>	<u>\$ -</u>	<u>\$ 173 224</u>	<u>\$ 249 369</u>
	LIABILITIES				
	Current Liabilities:				
2110	Accounts payable	\$ 8 734	\$ -	\$ -	\$ 8 734
2160	Accrued wages payable	2 708	-	-	2 708
2170	Due to other funds	33 511	-	2 409	35 920
2000	TOTAL LIABILITIES	<u>44 953</u>	<u>-</u>	<u>2 409</u>	<u>47 362</u>
	FUND BALANCES				
	Restricted Fund Balances:				
3450	Federal/state funds grant restrictions	529	-	-	529
3490	Other restrictions of fund balance	30 663	-	170 815	201 478
3000	TOTAL FUND BALANCES	<u>31 192</u>	<u>-</u>	<u>170 815</u>	<u>202 007</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 76 145</u>	<u>\$ -</u>	<u>\$ 173 224</u>	<u>\$ 249 369</u>

See independent auditors' report.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended August 31, 2019

EXHIBIT H-2

DATA CONTROL CODES		SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-2)
Revenues:					
5700	Local and intermediate sources	\$ 89 231	\$ 9 249	\$ 13 616	\$ 112 096
5800	State program revenues	59 867	-	-	59 867
5900	Federal program revenues	512 074	-	-	512 074
5020	TOTAL REVENUES	<u>\$ 661 172</u>	<u>\$ 9 249</u>	<u>\$ 13 616</u>	<u>\$ 684 037</u>
Expenditures:					
0011	Instruction	\$ 212 400	\$ -	\$ -	\$ 212 400
0012	Instructional resources and media services	23 337	-	-	23 337
0013	Curriculum and staff development	30 215	-	-	30 215
0023	School leadership	16 316	-	-	16 316
0034	Student transportation	685	-	-	685
0035	Food service	358 443	-	-	358 443
0036	Cocurricular/extracurricular activities	19 931	-	3 573	23 504
0041	General administration	567	-	-	567
0053	Data processing services	19 656	-	-	19 656
0081	Capital outlay	-	142 045	-	142 045
6030	TOTAL EXPENDITURES	<u>681 550</u>	<u>142 045</u>	<u>3 573</u>	<u>827 168</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(20 378)</u>	<u>(132 796)</u>	<u>10 043</u>	<u>(143 131)</u>
Other Financing Sources and (Uses):					
7915	Transfers in	37 007	-	-	37 007
7080	TOTAL OTHER FINANCING SOURCES AND (USES)	<u>37 007</u>	<u>-</u>	<u>-</u>	<u>37 007</u>
1200	NET CHANGE IN FUND BALANCES	16 629	(132 796)	10 043	(106 124)
0100	Fund balances - Beginning	<u>14 563</u>	<u>132 796</u>	<u>160 772</u>	<u>308 131</u>
3000	FUND BALANCES - ENDING	<u>\$ 31 192</u>	<u>\$ -</u>	<u>\$ 170 815</u>	<u>\$ 202 007</u>

See independent auditors' report.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 August 31, 2019

DATA CONTROL CODES		211	212	240	242
		ESEA TITLE I GRANT	TITLE 1, PART C MIGRANT CHILDREN	CHILD NUTRITION FUND	SUMMER FEEDING PROGRAM
	ASSETS				
1110	Cash and cash equivalents	\$ -	\$ -	\$ 11 442	\$ -
1240	Due from other governments	<u>16 819</u>	<u>-</u>	<u>4 520</u>	<u>-</u>
1000	TOTAL ASSETS	<u>\$ 16 819</u>	<u>\$ -</u>	<u>\$ 15 962</u>	<u>\$ -</u>
	LIABILITIES				
2110	Accounts payable	\$ -	\$ -	\$ 8 734	\$ -
2160	Accrued wages payable	-	-	2 708	-
2170	Due to other funds	<u>16 819</u>	<u>-</u>	<u>4 520</u>	<u>-</u>
2000	TOTAL LIABILITIES	<u>16 819</u>	<u>-</u>	<u>15 962</u>	<u>-</u>
	FUND BALANCES				
	Restricted Fund Balances:				
3450	Federal/state funds grant restrictions	-	-	-	-
3490	Other restrictions of fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16 819</u>	<u>\$ -</u>	<u>\$ 15 962</u>	<u>\$ -</u>

See independent auditors' report.

EXHIBIT H-3

244	255	289	410	461	TOTAL NONMAJOR SPECIAL REVENUE FUNDS (SEE EXHIBIT H-1)
CAREER AND TECH BASIC GRANT	TITLE II PART A TRAINING GRANT	TITLE IV PART A SUBPART 1	TEXTBOOK/ TECHNOLOGY FUND	CAMPUS ACTIVITY FUND	
\$ -	\$ -	\$ 529	\$ -	\$ 30 663	\$ 42 634
-	4 680	5 422	2 070	-	33 511
<u>\$ -</u>	<u>\$ 4 680</u>	<u>\$ 5 951</u>	<u>\$ 2 070</u>	<u>\$ 30 663</u>	<u>\$ 76 145</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8 734
-	-	-	-	-	2 708
-	4 680	5 422	2 070	-	33 511
<u>-</u>	<u>4 680</u>	<u>5 422</u>	<u>2 070</u>	<u>-</u>	<u>44 953</u>
-	-	529	-	-	529
-	-	-	-	30 663	30 663
-	-	529	-	30 663	31 192
<u>\$ -</u>	<u>\$ 4 680</u>	<u>\$ 5 951</u>	<u>\$ 2 070</u>	<u>\$ 30 663</u>	<u>\$ 76 145</u>

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended August 31, 2019

DATA CONTROL CODES	211	212	240	242	
	ESEA TITLE I GRANT	TITLE I, PART C MIGRANT CHILDREN	CHILD NUTRITION FUND	SUMMER FEEDING PROGRAM	
Revenues:					
5700	Local and intermediate sources	\$ -	\$ -	\$ 51 913	\$ 190
5800	State program revenues	-	-	1 625	185
5900	Federal program revenues	<u>175 164</u>	<u>2 402</u>	<u>263 287</u>	<u>4 318</u>
5020	TOTAL REVENUES	<u>175 164</u>	<u>2 402</u>	<u>316 825</u>	<u>4 693</u>
Expenditures:					
0011	Instruction	147 283	2 402	-	-
0012	Instruction resources and media	23 337	-	-	-
0013	Curriculum and staff development	3 859	-	-	-
0023	School leadership	-	-	-	-
0034	Student transportation	685	-	-	-
0035	Food services	-	-	353 750	4 693
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0053	Data processing services	-	-	-	-
6030	TOTAL EXPENDITURES	<u>175 164</u>	<u>2 402</u>	<u>353 750</u>	<u>4 693</u>
1100	EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(36 925)</u>	<u>-</u>
Other Financing Sources:					
7915	Transfer in (out)	<u>-</u>	<u>-</u>	<u>35 828</u>	<u>-</u>
7080	TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>35 828</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCE	-	-	(1 097)	-
0100	Fund balances - Beginning	<u>-</u>	<u>-</u>	<u>1 097</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

EXHIBIT H-4

244	255	289	410	461	TOTAL NONMAJOR SPECIAL REVENUE FUNDS (SEE EXHIBIT H-2)
CAREER AND TECH BASIC GRANT	TITLE II PART A TRAINING GRANT	TITLE IV, PART A, SUBPART 1	TEXTBOOK/ TECHNOLOGY FUND	CAMPUS ACTIVITY FUND	
\$ -	\$ -	\$ -	\$ -	\$ 37 128	\$ 89 231
-	-	-	58 057	-	59 867
<u>4 528</u>	<u>23 879</u>	<u>38 496</u>	<u>-</u>	<u>-</u>	<u>512 074</u>
<u>4 528</u>	<u>23 879</u>	<u>38 496</u>	<u>58 057</u>	<u>37 128</u>	<u>661 172</u>
4 528	8 612	8 005	41 570	-	212 400
-	-	-	-	-	23 337
-	10 115	16 241	-	-	30 215
-	4 747	11 569	-	-	16 316
-	-	-	-	-	685
-	-	-	-	-	358 443
-	-	-	-	19 931	19 931
-	405	162	-	-	567
-	-	1 990	17 666	-	19 656
<u>4 528</u>	<u>23 879</u>	<u>37 967</u>	<u>59 236</u>	<u>19 931</u>	<u>681 550</u>
-	-	529	(1 179)	17 197	(20 378)
-	-	-	1 179	-	37 007
-	-	-	1 179	-	37 007
-	-	529	-	17 197	16 629
-	-	-	-	13 466	14 563
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 529</u>	<u>\$ -</u>	<u>30 663</u>	<u>31 192</u>

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR PERMANENT FUNDS
 August 31, 2019

EXHIBIT H-5

DATA CONTROL CODES		477 SCHOLARSHIP FUND	806 JUNIOR HIGH BENEVOLENCE	TOTAL NONMAJOR PERMANENT FUNDS (SEE EXHIBIT H-1)
	ASSETS			
1110	Cash and cash equivalents	\$ 7 450	\$ 410	\$ 7 860
1120	Current investments	165 364	-	165 364
1000	TOTAL ASSETS	<u>\$ 172 814</u>	<u>\$ 410</u>	<u>\$ 173 224</u>
	LIABILITIES			
	Current Liabilities:			
2170	Due to other funds	\$ 2 409	-	\$ 2 409
2000	TOTAL LIABILITIES	<u>2 409</u>	<u>-</u>	<u>2 409</u>
	FUND BALANCES			
	Restricted Fund Balances:			
3490	Other restrictions of fund balance	170 405	410	170 815
3000	TOTAL FUND BALANCES	<u>170 405</u>	<u>410</u>	<u>170 815</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 172 814</u>	<u>\$ 410</u>	<u>\$ 173 224</u>

See independent auditors' report.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR PERMANENT FUNDS

For the Year Ended August 31, 2019

EXHIBIT H-6

DATA CONTROL CODES		477 TRUST SCHOLARSHIP FUND	806 JUNIOR HIGH BENEVOLENCE	TOTAL NONMAJOR PERMANENT FUNDS (SEE EXHIBIT H-2)
	Revenues:			
5700	Local and intermediate sources	\$ 13 616	\$ -	\$ 13 616
5020	TOTAL REVENUE	<u>13 616</u>	<u>-</u>	<u>13 616</u>
	Expenditures:			
	Current Liabilities:			
0036	Cocurricular/extracurricular activities	<u>3 573</u>	<u>-</u>	<u>3 573</u>
6030	TOTAL EXPENDITURES	<u>3 573</u>	<u>-</u>	<u>3 573</u>
1200	NET CHANGE IN FUND BALANCES	10 043	-	10 043
0100	Fund balances - Beginning	<u>160 362</u>	<u>410</u>	<u>160 772</u>
3000	FUND BALANCES - ENDING	<u>\$ 170 405</u>	<u>\$ 410</u>	<u>\$ 170 815</u>

See independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 For the Year Ended August 31, 2019

LAST 10 YEARS	(1) TAX RATES			(3)
	MAINTENANCE	DEBT SERVICE		ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES
2010 and prior years	Various	Various		Various
2011	1.04	0.1023	\$	209 132 975
2012	1.04	0.1005	\$	202 477 298
2013	1.04	0.0997	\$	202 162 606
2014	1.04	0.0997	\$	204 909 582
2015	1.04	0.0944	\$	216 610 950
2016	1.04	0.0727	\$	280 433 153
2017	1.04	0.2954	\$	262 437 622
2018	1.04	0.3102	\$	288 267 138
2019 (School year under audit)	1.04	0.3000	\$	319 863 582
TOTALS				

See independent auditors' report.

EXHIBIT J-1

(10) BEGINNING BALANCE <u>08/31/2018</u>	(20) CURRENT PERIOD'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE PERIOD'S ADJUSTMENTS	(50) ENDING BALANCE <u>08/31/2019</u>
\$ 136 231	\$ -	\$ 2 868	\$ 227	\$ (88)	\$ 133 048
14 620	-	1 026	101	(29)	13 464
17 133	-	1 645	159	(239)	15 090
23 108	-	2 508	241	(239)	20 120
29 243	-	3 175	305	(239)	25 524
37 589	-	6 516	595	(302)	30 176
69 817	-	9 199	643	745	60 720
94 868	-	16 988	4 798	(5 335)	67 747
181 160	-	43 714	13 299	(19 645)	104 502
<u>-</u>	<u>4 286 172</u>	<u>3 051 719</u>	<u>931 715</u>	<u>(19 310)</u>	<u>283 428</u>
<u>\$ 603 769</u>	<u>\$ 4 286 172</u>	<u>\$ 3 139 358</u>	<u>\$ 952 083</u>	<u>\$ (44 681)</u>	<u>\$ 753 819</u>

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended August 31, 2019

EXHIBIT J-2

DATA CONTROL CODES	BUDGETED AMOUNTS			ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE)
	1	2	3		
	ORIGINAL	FINAL			
Revenues:					
5700	Local and intermediate sources	\$ 59 560	\$ 59 560	\$ 51 913	\$ (7 647)
5800	State program revenues	10 127	10 127	1 625	(8 502)
5900	Federal program revenues	265 000	265 000	263 287	(1 713)
5020	TOTAL REVENUES	<u>334 687</u>	<u>334 687</u>	<u>316 825</u>	<u>(17 862)</u>
Expenditures:					
Current:					
0035	Food services	362 687	362 687	353 750	8 937
6030	TOTAL EXPENDITURES	<u>362 687</u>	<u>362 687</u>	<u>353 750</u>	<u>8 937</u>
1100	EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	<u>(28 000)</u>	<u>(28 000)</u>	<u>(36 925)</u>	<u>(8 925)</u>
Other Financing Sources:					
7915	Transfer in	28 000	28 000	35 828	7 828
7080	TOTAL OTHER FINANCING SOURCES	<u>28 000</u>	<u>28 000</u>	<u>35 828</u>	<u>7 828</u>
1200	NET CHANGE IN FUND BALANCES	-	-	(1 097)	(1 097)
0100	Fund balance - Beginning	1 097	1 097	1 097	-
3000	FUND BALANCE - ENDING	<u>\$ 1 097</u>	<u>\$ 1 097</u>	<u>\$ -</u>	<u>\$ (1 097)</u>

See independent auditors' report.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2019

EXHIBIT J-3

DATA CONTROL CODES	1		2		3		VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE)
	<u>BUDGETED AMOUNTS</u>				ACTUAL		
	<u>ORIGINAL</u>		<u>FINAL</u>		<u>AMOUNTS</u>		
Revenues:							
5700	Local and intermediate sources	\$ 902 000	\$ 902 000	\$ 947 837	\$ 45 837		
5800	State program revenues	<u>5 822</u>	<u>5 822</u>	<u>5 822</u>	<u>-</u>		
5020	TOTAL REVENUES	<u>907 822</u>	<u>907 822</u>	<u>953 659</u>	<u>45 837</u>		
Expenditures:							
Debt Service:							
0071	Principal on long-term debt	475 000	475 000	475 000	-		
0072	Interest on long-term debt	420 688	420 688	420 688	-		
0073	Bond issue cost and fees	<u>1 100</u>	<u>1 100</u>	<u>1 099</u>	<u>1</u>		
6030	TOTAL DEBT SERVICE	<u>809 488</u>	<u>809 488</u>	<u>896 787</u>	<u>1</u>		
1200	NET CHANGE IN FUND BALANCES	98 334	98 334	56 872	45 838		
0100	Fund balance - Beginning	<u>365 845</u>	<u>365 845</u>	<u>365 845</u>	<u>-</u>		
3000	FUND BALANCE - ENDING	<u>\$ 464 179</u>	<u>\$ 464 179</u>	<u>\$ 422 717</u>	<u>\$ 45 838</u>		

See independent auditors' report.

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Somerville Independent School District
Somerville, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somerville Independent School District as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated January 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Somerville Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Somerville Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Somerville Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lufkin, Texas
January 15, 2020


CERTIFIED PUBLIC ACCOUNTANTS

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2019

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiencies identified that are
not considered to be material weaknesses?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

B. Financial Statement Findings

NONE

C. Compliance Findings

No Single Audit required

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2019

None

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of August 31, 2019

Exhibit L-1

<u>DATA CONTROL CODES</u>		<u>RESPONSES</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 1 342 326
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ -